



PROPOSED AMENDMENT

LOCAL ASSESSMENT LAW

ARGUMENT

BEFORE THE COMMITTEE ON BILLS

ON BEHALF OF THE BANKERS

By MR. T. FISHER

HALIFAX, 13th MARCH, 1893.

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*Mr. Chairman and Members of the Committee:—*

If our laws in regard to Municipal Taxation be taken as a test of our social progress or enlightenment, I think we shall find but little reason to plume ourselves on our advancement. These laws betray not the faintest insight into the problem they deal with, nor the slightest regard to the most elementary notions of right and wrong. Our ideas about taxation, in so far as they have been embodied in the Statutes, are even more primitive than those held in England 300 years ago; and the whole progress of the world since then has not advanced us one step in this matter. We have even retrograded, for while the English began by taxing personal property, ships, &c., for local purposes they soon discovered the folly of it, and speedily abandoned it altogether.

Our local assessment law has been a "burning" question in this community for at least 18 years. During all that period it has furnished material for endless protests and denunciations on the part of its victims and for endless discussions and suggestions from the great army of reformers with which this City is especially blessed. I am hopeful enough to think, however, that all this agitation has been productive of some good, and that the more thoughtful and intelligent part of our population have grown to see much more clearly into the nature and difficulties of the problem, and are now more ready to agree on a rational solution of it. And for this purpose we are now before the Legislature with a bill, which, as it stands, would be as far from a settlement of this vexed question as the most abortive measure that ignorance or unscrupulousness could suggest, but which with the wise assistance of this House, can, I think, be so amended as to work substantial justice to all interests concerned; and if this can be accomplished you will not only have conferred such a boon on the City of Halifax as it may be grateful for to all time,



but you will have done something to advance the march of economic science and the cause of good government throughout the world.

The main principle of the bill is the exemption of personal property from assessment, and there can be no question of the soundness of this principle. It has been demonstrated by every authority who has written on the subject in recent years ; and the logic of the thinker has not been more conclusive in regard to it than the futile results in practice of the attempts to establish the opposite principle.

It is hardly necessary for me to enlarge on this head, although it is the real backbone of the bill, since the whole argument of its supporters has been devoted to it. I would say, however, that probably no one in the City has done more than myself to show the futility and unwisdom of attempting to tax personal property. The subject will be found fully discussed in a pamphlet published 15 years ago, copies of which can be had by any of the members of the House.

But if the bill is to be taken as a whole, the most absurd and incongruous ideas must subsist in harmony in the minds of its promoters ; for if, as I contend, the taxation of personal property is indefensible in principle, the same, and even greater objections apply to the taxation of banking capital and personal income.

There seems to be endless confusion existing in mens' minds as to what Taxes are, and what they are levied for. One hears it asserted constantly, that every citizen gets the benefit of the City's expenditure, the use of the streets, police and fire protection, water service, &c., &c., and therefore that each should pay taxes. That is perfectly correct ; every citizen should pay taxes, that is, he should pay for what he gets, for what is given him by the City. How then are we to arrive at the correct amount due by each citizen ? One man is rich and another poor, but they

both use the streets and enjoy police protection and all the other privileges of the City to the same extent, what then is the foundation of the City's claim for a larger sum from the one than from the other? The answer is that one has more property than the other, and that the benefits accruing to the citizen from City expenditure are reaped by him through his property and in proportion to the amount of that property. This would be absolutely correct reasoning if personal property and all buildings and improvements were eliminated, leaving only the City's area, as being the only thing which is increased in value by the expenditure of the City, and therefore the only thing for which payment of taxes is required.

It should be almost self evident that good City government does not increase the price of goods held for sale. It should be just as evident that it cannot increase the average rate of profits or salaries or wages of workmen. Its effect in regard to all of these, by making the City a more desirable place to live and do business in, is rather to increase competition, so that it is impossible that the average return to capital, or the average wages of labor can be increased by any conceivable expenditure on the part of the City.

The effect of City expenditure on the other kind of property, namely real estate or land, is entirely different. It cannot be increased or diminished in area. It cannot run away from bad government, extravagance or waste as capital and labor can; and it reaps the whole benefit of good government, order and economy. It is an absolutely correct measure of the effect of every dollar wisely spent by the City, and of every dollar wasted. I cannot sufficiently emphasize this point. It is the great essential truth in regard to taxation, more especially municipal taxation. The value of the City's area alone is the exact measure of the value of all the City's advantages to its inhabitants; and therefore whatever proportion of said area is owned or occupied by any citizen, is the correct measure of the taxes payable by him.



For further elucidation of this view I would respectfully refer the members of this Committee to the 3rd Letter in the pamphlet to which I have already alluded.

Let us suppose for a moment that there was but one real estate owner in the community, and that he owned the entire area of the City, what would then be the position of the citizens in regard to the payment of taxes? Would there be the same objections that are urged now against all taxes being levied on real estate? It would be seen then that every dollar spent in or about the City, if wisely spent, went directly to increase the value of this man's property, to make it more attractive, more in demand, enabling him to exact a higher rent; and when each citizen paid his rent he would have given value for everything that he received. There would be no question of his paying anything further. The one real estate owner would of course pay all the City's expenditure, because the whole of it, whether directly incurred on account of his property or not, directly increased its value, and he would be more than reimbursed through his rents. This illustration shows that all Municipal taxes rightly considered are simply ground rent. Substitute for this one Landlord the City itself. If it owned its own area, the necessary revenue would be raised in the shape of rent, and it would then be clearly seen that what could not be charged for as rent would be an unjust exaction, and in fact would not be collectable. And to show how ground rent eats up all improvements I quote the following from "Social Problems."

"Supposing the very rich men of New York were to become suddenly imbued with that public spirit which shows itself in the Astor Library and the Cooper Institute, and that it should become among them a passion leading them even to beggar themselves in the emulation to benefit their fellow citizens. Supposing such a man as Mr. Gould were to make the elevated roads free, were to assume the cost of the fire department, and give every house a free telephone connection; and Mr. Vanderbilt

"not to be outdone, were to take upon himself the cost of  
"putting down good pavements, and cleaning the streets, and  
"running the horse-cars for nothing; while the Astors were to  
"build libraries in every ward; supposing the 50, 20, 10, and still  
"smaller millionaires, seized by the same passion, were, singly or  
"together, at their own cost; to bring in plentiful supplies of  
"water, to furnish heat, light and power free of charge; to im-  
"prove and maintain the schools; to open theatres and concerts  
"to the public; to establish public gardens and baths and mar-  
"kets; to open stores where everything could be bought at  
"retail for the lowest wholesale price; in short, were to do  
"everything that could be done to make New York a cheap and  
"pleasant place to live in. The result would be that New York  
"being so much more desirable a place to live in, more people  
"would desire to live in it, and the landowners would charge so  
"much the more for the privilege. All these benefactions would  
"increase rent, and so, whatever the character of the improve-  
"ment, its benefit, land being monopolized, must ultimately go  
"to the owners of the land."

In like manner, if the Dominion Government or some other special providence were to make a free annual grant to the City of Halifax of a sum sufficient to cover its whole expenditure, the City would be made so attractive, and people would be drawn to it in such numbers, that rents would rise, and would not stop rising until the special advantage gained by Halifax over other Cities from this free gift, was all absorbed by the landowner.

I wish the members of the Committee to pay particular attention to the inference to be drawn from this fact—namely, that if it were possible by assessing Capital in such a way as to make the Capitalist actually pay the tax, as is done with the Banks, it becomes a practical robbery of capital entirely for the benefit of the real estate owner. The same reasoning applies to the income tax, if the tax be actually paid by the parties on whom it is assessed. Profits and wages are by that means

reduced below the average level existing outside of Halifax, and the whole proceeds of the tax becomes a present to the real estate owners. It is exactly the same as far as the landowners are concerned, as if some outsider made the City an annual gift of the amount of the tax, which in the end the real estate owner absorbs.

When this is realized, what can we think of the proposition to tax capital or income, or personal property for local purposes? Try and picture the astonishment of any one negotiating for the rent of a house including all taxes, on being told that the rent could not be fixed until his income was known or his capital; that the rent might be only \$500 or possibly it might be \$5000. Absurd as this may seem it is the real state of the case.

The Bank of Nova Scotia now pays the City upwards of \$4000 a year in taxes. All the advantages accruing to the Bank from being allowed to do business within the City are represented in the site it occupies. The City cannot pretend that it does any more for the Bank than it would do for any other occupant of that site. The fact that it is occupied by a Bank rather than by an Insurance Company or a wholesale or retail dealer or factory of any kind makes no difference at all to the City. The City's expenses are not increased on that account, and they would not be diminished if the site were otherwise occupied. Yet the rent in the one case is \$4300, while to any other possible tenant it could not be more than 1/6 to 1/10 of that amount. Twenty years ago the City claimed from the Banks one fourth of their net earnings made within the City. Now, I appeal to every man of intelligence, and ask him what he thinks of such a law as that? Is this the kind of legislation likely to develop institutions which will do the City credit at home and abroad? Where in the wide world would this be accounted anything but Confiscation and Robbery?

The merchants complain, with reason, of the gross inequalities and injustice caused by the assessment of personal property,

but how would they like to have to render a sworn statement to the assessors of their net earnings, and then hand over one fourth part of these to the City.

This infamous law was enforced for years ; and when, through losses and other causes, the taxes paid by some of the Banks fell off largely, a hue and cry was raised that the City was being cheated, and that some means must be found to maintain the amount of the exactions from the Banks at somewhere near their old figures. After several years of agitation and discussion of the subject, similar to what we are now going through, a measure was thrust through this Legislature, without rhyme or reason, calculated to arouse the wonder and astonishment alike of Gods and men. It was based on no principle whatever, nor on any practice known in the wide world ; and represented nothing but the unreasoning greed of the City authorities, and their determination to get as much plunder out of the Banks in the aggregate as they had formerly managed to secure. Under this measure the Banks have struggled along as best they could, and have tried to escape from the merciless grasp of the City by extending their operations throughout the country far and wide. In this some of them have succeeded beyond expectation and for the simple reason that wherever they went they were received in a spirit of friendly welcome, as institutions calculated to benefit and not to injure the people. Local enterprise was stimulated by them, and local industries built up ; and wherever they have gone throughout the length and breadth of the continent they have found no community so inhospitable, so barbarously unreasonable and oppressive as their native city.

To their native City they owe nothing of their success, for whereas the old law claimed only one fourth of their net local earnings, the new law has in some cases taken the whole earnings and more. Incredible as it may appear, it is nevertheless a literal fact that some of our Banks for several years back have not earned enough from their local business to cover their taxes.

It is easy to see how this can take place. A Bank uses none of its capital in any given community if its deposits at that point supply it with all, or more than all, the money it can loan there; and this is probably the case with all the Banks in Halifax. Now, let us suppose that one of our Banks does a loaning business in this City to an average of \$1,000,000, which would be an excellent business; and that it receives deposits here to the average amount of \$1,250,000, at 4% — of this latter amount it will require to keep in Cash say  $\frac{1}{5}$  or \$250,000, while it pays interest on the whole amount. We may assume that it gets an average rate of 6% on its loans. Its receipts and expenditure will then shew about as follows:—

6% on \$1,000,000.....	\$60,000
Commissions and Exchange, say.....	6,000
	<hr/>
	\$66,000
Int. at 4% on \$1,250,000.....	\$50,000,
Rent .....	2,000, 52,000
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	leaving \$14,000

to pay all its expenses, salaries, losses, &c; and the first item of its expense account is the clamorous demand of the City for upwards of \$4000, in taxes — more than  $\frac{2}{7}$ ths of the whole gross earnings, — leaving less than \$10,000, for everything else. And it is needless to say that, apart from charges peculiar to a Head Office, such as General Manager's salary, Directors' fees, &c., no banking business of that magnitude can be carried on for such a sum. The Bank would be only too well pleased to make as much out of it as the City does.

Contrast this with the City of Montreal, where, until a few years back as throughout Canada generally, the only tax levied on the Banks was the ordinary real estate tax. But a few years ago, owing to the extravagance and necessities of the Province, a direct tax was imposed on Banks and other Companies doing business in the City. The tax is indefensible in principle, as was

strongly urged at the time ; and it was an entirely new departure from the simplicity and justice of the general system of local taxation up to that time common throughout the Province of Quebec.

Under this Act a Bank with a capital of \$1000,000, or less pays \$400 ; one with a capital between one and two millions pays \$500 ; and a capital of anything over \$2,000,000 pays \$600. The Bank of Montreal, which under our system would have to pay \$45,000 per annum besides its real estate tax, pays only \$600.

I presume Halifax would consider itself everlastingly disgraced to be the home of such an institution as the Bank of Montreal, and has taken time by the forelock to prevent it.

In the eyes of our people Banks must really be pestilential institutions, unhealthy growths, dangerous to the body politic, and as such to be either crushed out or used as a convenient means of raising a revenue without giving any equivalent for it, in much the same way as heavy licenses are imposed on the liquor traffic. But the liquor shops have never proved such a bonanza as the Banks. If the Banks are not so regarded, and they are admitted to have a legitimate "*raison d'etre*" it must be believed that they have some secret source of unlimited wealth, which only needs to be drawn upon at the will of the tax-gatherer to supply all the City's demands, leaving an abundance for future emergencies.

How otherwise explain the very different treatment of other local institutions. Our two local Fire Insurance Companies for instance, each of which makes about \$25,000 a year net profit, and pays a tax of only \$250 ; or the Monopolist Gas Co., which has all the City to itself (supplying the citizens with gas at \$2.00 a thousand feet while almost every other important place in the world can obtain it for half that amount or less) and which is graciously let off with a licence of \$1000 a year ; or the Street Railway Company, also a monopoly, which pays only \$908 ; or the Telephone



Co., \$1000; Electric Light Co., \$1000; or the Sugar Refinery and Cotton Factory which not only pay no taxes, but have free water to boot.

Moreover, we evidently have money enough and to spare for we can pay a large subsidy — \$10,000 — every year to a dry dock and exempt it also from taxes.

There cannot be the slightest pretence to equality of taxation or any approach to justice in all this; and yet, when the assessment law comes up for amendment it seems that justice cannot be asked from this honorable House for the merchants of the City without coupling with the proposal another outrage on the Banks. It is suggested that the Banks taxes be again increased, and that an income tax be imposed on all salaried and professional men, for it will never do to increase the burden to the slightest degree on real estate. It is surely time that this insensate folly were ended, and some principle of taxation established which will at any rate not be identical with robbery.

The friends of the income tax contend that taxes should be paid in proportion to each citizen's ability to pay, and without any reference whatever to the question whether or not he may get value for such payment. Setting aside the fact that an income tax for municipal purposes has never been advocated by any authority that I ever heard of — to say that every one should pay taxes in proportion to his ability is simply Communism.

Whatever may be said for an income tax as a National tax, and more especially in periods of National distress or emergency, as a municipal tax it cannot possibly be justified on any ground that is not avowedly Communistic; and unless we are prepared to defend Communism as a principle, and to show that it is a sound working principle, we cannot defend an assessment law based on it.

One's income usually has some relation to one's ability to earn it. It is surely not the gift of the City. One man can earn

three, four or five times as much as another, while taking no more from the City than that other, because he may have more industry and skill and judgment ; and because he has learned to live with self-denial. Has the City endowed him with these qualities and virtues ? If not, what right has it to the proceeds of them ?

In every community there are many persons living who derive their income, or a large part of it, from outside or foreign investments ; what just claim can the City put forward to any part of the income from such investments ? Again, Directors and Managers of Railroads, Steamship Companies, Insurance Companies, Banks, Express Companies, Mines and Lumber and Trading Companies usually live in the City, but their work for the most part may lie far outside of it and have nothing to do with it. The ramifications of their business may extend to the ends of the earth, and their income come from all quarters of the globe as is literally the case with Englands world wide commerce. What conceivable claim can the City put forward to a share of such income ? To insist on such a claim could only have the effect of driving away such people and such industries. The feeling of injustice is insupportable to all men, and it is but a purblind policy which assumes that injustice done in the name of law is any better than personal robbery.

Where is the justice or wisdom of taxing the capital of a Bank or a Steamship Company or a Mining Company or the salaries of the officers of such Companies, whose only connection with the City may be that they have an office and a staff of clerks there ? Surely it can do no harm to Halifax as a City that it should be the headquarters or home of many successful enterprises, although those enterprises may not be carried on within its borders, or owe anything whatever to its fostering or protection. Our City has unfortunately not been very remarkable for the number of its successful enterprises. It has been much more remarkable for its wrecks ; and it is very certain that the way to raise institutions which we may be proud of is not to begin by

taxing them for imaginary benefits, taxing them for nothing and taxing them to death.

But where is the necessity for all this wrangling and fighting over what should be no more difficult than the settlement of a claim under General Average, or any other simple matter of business. It can be shewn that the ground value of all the property within the City's area at the present time is not less than \$9,000,000. Four per cent on this sum would more than cover the City's whole expenditure ; and on such a basis nobody's taxes would be excessive.

In this way the problem would be reduced to a simple matter of ground rent — each citizen paying 4% on the value of the site he occupied — in other words, for the proportion of the City which he used. Every one would then see what every one else paid, and what he paid it for. The system would be absolutely perfect because it would be absolutely just.

We earnestly appeal to the members of this Committee to give these views their careful consideration. They are not urged in any separate or private interest, but on strictly scientific grounds. If they can be shewn to be unsound in reasoning, impracticable or unjust by all means ignore them. There is surely nothing to be gained by establishing one more folly on the statute book. But if they are carefully examined into we have no fear of the result. They have been arrived at after years of patient investigation and study ; and they are in agreement with the conclusions of the ablest writers and investigators who have gone over the same field.

We want only the careful, impartial judgment of this House on the facts and reasonings given, undisturbed by the City clamor which has raged round the subject for the last eighteen years, and which has only darkened counsel without knowledge, and dragged us out of one slough of despond into another.

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